

**REPORT OF THE AUDIT OF THE  
GRAYSON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**AUDIT OF THE**  
**GRAYSON COUNTY FISCAL COURT**

**June 30, 2014**

The Auditor of Public Accounts has completed the audit of the Grayson County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Grayson County, Kentucky.

**Financial Condition:**

The Grayson County Fiscal Court had total receipts of \$17,806,488 and disbursements of \$17,960,760 in fiscal year 2014. This resulted in a total ending fund balance of \$3,506,832, which is a decrease of \$154,272 from the prior year.

**Report Comments:**

- 2014-001    The County Should Improve Procedures With Regard To Disbursements
- 2014-002    The County Lacks Adequate Segregation Of Duties Over Cash Transfers, Reports, And Bank Reconciliations
- 2014-003    The Jailer Should Improve Controls Over Purchases In The Jail Commissary
- 2014-004    The Grayson County Detention Center Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary
- 2014-005    The Fiscal Court Should Annually Set And Approve Salaries For All County Employees
- 2014-006    The County Should Annually Review The Administrative Code And Make Any Changes Or Revisions Deemed Necessary

**Deposits:**

The    Fiscal    Court    deposits    were    insured    and    collateralized    by    bank    securities.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Matthew G. Bevin, Governor  
William M. Landrum III, Secretary  
Finance and Administration Cabinet  
Honorable Gary Logsdon, Grayson County Judge/Executive  
Members of the Grayson County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Grayson County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described more fully in Note 1, the financial statement is prepared by Grayson County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Grayson County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Grayson County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

### **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Grayson County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and capital asset schedule have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.



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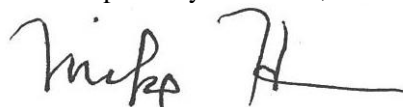
### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015 on our consideration of Grayson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2014-001 The County Should Improve Procedures With Regard To Disbursements
- 2014-002 The County Lacks Adequate Segregation Of Duties Over Cash Transfers, Reports, And Bank Reconciliations
- 2014-003 The Jailer Should Improve Controls Over Purchases In The Jail Commissary
- 2014-004 The Grayson County Detention Center Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary
- 2014-005 The Fiscal Court Should Annually Set And Approve Salaries For All County Employees
- 2014-006 The County Should Annually Review The Administrative Code And Make Any Changes Or Revisions Deemed Necessary

Respectfully submitted,



Mike Harmon  
Auditor of Public Accounts

August 14, 2015

GRAYSON COUNTY OFFICIALS

For The Year Ended June 30, 2014

**Fiscal Court Members:**

Gary Logsdon	County Judge/Executive
Harold Johnson	Magistrate
Presto Gary	Magistrate
Bill Skaggs	Magistrate
Jason Dennis	Magistrate
Brad Brown	Magistrate
Curtis Wells	Magistrate

**Other Elected Officials:**

Clay Ratley	County Attorney
Jason Woosley	Jailer
Sherry Weedman	County Clerk
Rick Clemons	Sheriff
Milburn Vanmeter	Property Valuation Administrator
Joe Brad Hudson	Coroner

**Appointed Personnel:**

Rebecca Hayse	County Treasurer
DeeDee Whitley	Occupational Tax Administrator
Freida Alexander	Finance Officer
Steve Mahurin	Road Supervisor
Ernie Perkins	Emergency Management Coordinator
Sandy Farris	Jail Finance Officer

**GRAYSON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

**GRAYSON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**

**For The Year Ended June 30, 2014**

	<b>Budgeted Funds</b>		
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>RECEIPTS</b>			
Taxes	\$ 1,485,764	\$ 803,890	\$
In Lieu Tax Payments	51,165		
Excess Fees	244,238		
Licenses and Permits	17,999		
Intergovernmental	432,577	2,305,614	9,437,039
Charges for Services	288		72,459
Miscellaneous	98,999	7,659	549,239
Interest	527	2,281	10,539
Total Receipts	<u>2,331,557</u>	<u>3,119,444</u>	<u>10,069,276</u>
<b>DISBURSEMENTS</b>			
General Government	1,123,930	22,173	
Protection to Persons and Property	54,529	12,500	6,695,502
General Health and Sanitation	115,798		
Social Services			
Recreation and Culture	40,441		
Roads		2,670,315	
Bus Services			
Debt Service	40,802	57,956	40,384
Administration	<u>1,116,978</u>	<u>409,178</u>	<u>2,378,311</u>
Total Disbursements	<u>2,492,478</u>	<u>3,172,122</u>	<u>9,114,197</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(160,921)</u>	<u>(52,678)</u>	<u>955,079</u>
<b>Other Adjustments to Cash (Uses)</b>			
Transfers From Other Funds	397,105	200,000	
Transfers To Other Funds	<u>(260,000)</u>	<u>(297,105)</u>	<u>(862,059)</u>
Total Other Adjustments to Cash (Uses)	<u>137,105</u>	<u>(97,105)</u>	<u>(862,059)</u>
Net Change in Fund Balance	(23,816)	(149,783)	93,020
Fund Balance - Beginning	<u>82,888</u>	<u>693,706</u>	<u>1,330,672</u>
Fund Balance - Ending	<u>\$ 59,072</u>	<u>\$ 543,923</u>	<u>\$ 1,423,692</u>
<b>Composition of Fund Balance</b>			
Bank Balance	\$ 62,707	\$ 544,354	\$ 1,406,511
Plus: Deposits In Transit	1,358	2,523	
Less: Outstanding Checks	(4,993)	(2,954)	(232,819)
Certificates of Deposit			<u>250,000</u>
Fund Balance - Ending	<u>\$ 59,072</u>	<u>\$ 543,923</u>	<u>\$ 1,423,692</u>

The accompanying notes are an integral part of the financial statement.

**GRAYSON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>Budgeted Funds</b>		
<b>Local Government Economic Assistance Fund</b>	<b>Federal Fund</b>	<b>E-911 Fund</b>
\$	\$	\$ 404,051
70,418		60,000
595		294
64		111
<u>71,077</u>		<u>464,456</u>
3,963		
31,121		414,042
12,829		
300		
5,152		
12,103		
4,653		
300		156,058
<u>70,421</u>		<u>570,100</u>
656		(105,644)
		120,000
		<u>120,000</u>
656		14,356
11,407		57,807
<u>\$ 12,063</u>	<u>\$ 0</u>	<u>\$ 72,163</u>
\$ 12,163	\$	\$ 72,846
(100)		(683)
<u>\$ 12,063</u>	<u>\$ 0</u>	<u>\$ 72,163</u>

The accompanying notes are an integral part of the financial statement.

**GRAYSON COUNTY**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES**  
**IN FUND BALANCES - REGULATORY BASIS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>Unbudgeted Funds</b>			
	<b>Detention Center Public Properties Corporation Fund</b>	<b>Judicial Center Public Properties Corporation Fund</b>	<b>Jail Commissary Fund</b>	<b>Total Funds</b>
<b>RECEIPTS</b>				
Taxes	\$	\$	\$	\$ 2,693,705
In Lieu Tax Payments				51,165
Excess Fees				244,238
Licenses and Permits				17,999
Intergovernmental		924,450	510	13,170,608
Charges for Services				132,747
Miscellaneous			825,508	1,482,294
Interest	28	68	114	13,732
Total Receipts	28	924,518	826,132	17,806,488
<b>DISBURSEMENTS</b>				
General Government				1,150,066
Protection to Persons and Property			777,085	7,984,779
General Health and Sanitation			131,326	259,953
Social Services				300
Recreation and Culture			10,866	56,459
Roads				2,670,315
Bus Services				12,103
Debt Service	694,621	923,250		1,761,666
Administration			4,294	4,065,119
Total Disbursements	694,621	923,250	923,571	17,960,760
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(694,593)	1,268	(97,439)	(154,272)
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	702,059			1,419,164
Transfers To Other Funds				(1,419,164)
Total Other Adjustments to Cash (Uses)	702,059			
Net Change in Fund Balance	7,466	1,268	(97,439)	(154,272)
Fund Balance - Beginning	457,199	786,987	240,438	3,661,104
Fund Balance - Ending	\$ 464,665	\$ 788,255	\$ 142,999	\$ 3,506,832
<b>Composition of Fund Balance</b>				
Bank Balance	\$ 464,665	\$ 788,255	\$ 151,981	\$ 3,503,482
Deposits In Transit				3,881
Less Outstanding Checks			(8,982)	(250,531)
Certificates of Deposit				250,000
Ending Fund Balance	\$ 464,665	\$ 788,255	\$ 142,999	\$ 3,506,832

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**

**June 30, 2014**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The financial statement of Grayson County includes all budgeted and unbudgeted funds under the control of the Grayson County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the Fiscal Court in the acquisition and financing of any public project which may be undertaken by the Fiscal Court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the Fiscal Court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

**B. Basis of Accounting**

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

**C. Basis of Presentation**

**Budgeted Funds**

The Fiscal Court reports the following budgeted funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.



**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Basis of Presentation (Continued)**

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

Federal Fund - The primary purpose of this fund is to account for federal grants receipts and disbursements. There was no activity in this fund in fiscal year ending June 30, 2014.

E-911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

**Unbudgeted Funds**

The Fiscal Court reports the following unbudgeted funds:

Detention Center Public Properties Corporation Fund - The primary purpose of this fund is to account for the proceeds and debt service of Refunding Revenue Bonds, Series 2007 that were issued to fund construction of the Detention Center.

Judicial Center Public Properties Corporation Fund - The purpose of this fund is to account for proceeds and debt service requirements of the General Obligation Refunding Bond, Series 2006. The Department for Local Government does not require the Fiscal Court to report or budget this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the Fiscal Court does not approve the expenses of this fund.

The State Local Finance Officer does not require the Judicial Center Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

The State Local Finance Officer does not require the Detention Center Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

**E. Grayson County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Grayson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Grayson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Deposits and Investments**

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**G. Long-term Obligations**

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

**Note 2. Deposits**

The Fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 3. Transfers**

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	Road Fund	Jail Fund	E-911 Fund	Total Transfers In
General Fund	\$	\$ 297,105	\$ 100,000		\$ 397,105
Road Fund	200,000				200,000
Jail Fund					
Detention Center PPC			702,059		702,059
E-911 Fund	60,000		60,000		120,000
Total Transfers Out	<u>\$ 260,000</u>	<u>\$ 297,105</u>	<u>\$ 862,059</u>	<u>\$</u>	<u>\$ 1,419,164</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

**Note 4. Trust Funds**

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The Fiscal Court has the following agency trust fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2014 was \$141,820.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt**

**A. General Obligation Refunding Bonds, Series 2006 - Detention Center**

In October 2006, the Detention Center Public Properties Corporation issued \$8,135,000 in General Obligation Refunding Bonds, Series 2006 for the purpose of defeasing the 1999 General Obligation Improvement Series 1999 Bonds that were used for the construction of the Detention Center. At June 30, 2014, the principal outstanding on these bonds was \$6,215,000. Future bond principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 460,000	\$ 232,990
2016	480,000	215,480
2017	500,000	197,105
2018	520,000	177,850
2019	540,000	157,575
2020-2024	3,030,000	448,310
2025	685,000	13,700
Totals	<u>\$ 6,215,000</u>	<u>\$ 1,443,010</u>

**B. Judicial Center Property**

On December 10, 2004, Grayson County entered into a long-term lease agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$300,000 at a variable rate of interest for a period of 25 years. The financing obligation was for funding the purchase of the property for the Judicial Center. At June 30, 2014, the principal outstanding was \$220,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 10,000	\$ 10,541
2016	10,000	10,058
2017	10,000	9,556
2018	10,000	9,061
2019	10,000	8,560
2020-2024	70,000	33,002
2025-2029	80,000	14,205
2030	20,000	92
Totals	<u>\$ 220,000</u>	<u>\$ 95,075</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. Road Grader**

In May 2006, Grayson County entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$140,167 at 4.30% interest for a period of 15 years. The funds were used for the purchase of a road grader. At June 30, 2014, the principal outstanding was \$77,641. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 9,638	\$ 3,895
2016	10,131	3,399
2017	10,649	2,886
2018	11,194	2,342
2019	11,767	1,769
2020-2021	24,262	1,682
Totals	<u>\$ 77,641</u>	<u>\$ 15,973</u>

**D. Skate Park**

In November 2006, Grayson County entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$50,000 at 4.365% interest for a period of 15 years. The funds were used to fund a skate park. At June 30, 2014, the principal outstanding was \$30,021. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 3,298	\$ 1,415
2016	3,507	1,273
2017	3,728	1,121
2018	3,963	959
2019	4,213	787
2020-2022	11,312	1,126
Totals	<u>\$ 30,021</u>	<u>\$ 6,681</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. Detention Center Property**

In December 2006, Grayson County entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$284,350 at 5.188% interest for a period of 10 years. The funds were used to finance the purchase of land for the Detention Center. At June 30, 2014, the principal outstanding was \$77,350. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 36,000	\$ 2,857
2016	38,000	1,328
2017	<u>3,350</u>	<u>35</u>
Totals	<u>\$ 77,350</u>	<u>\$ 4,220</u>

**F. Ambulance**

On September 30, 2009, Grayson County entered into an agreement with the Bank of Clarkson in the amount of \$93,617 at 3.95% interest for a period of 5 years. The funds were used to purchase an ambulance. At June 30, 2014, the principal outstanding was \$6,701. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	<u>\$ 6,701</u>	<u>\$ 166</u>
Totals	<u>\$ 6,701</u>	<u>\$ 166</u>

**G. Ambulance**

On September 30, 2009, Grayson County entered into an agreement with the Bank of Clarkson in the amount of \$93,617 at 3.95% interest for a period of five years. The funds were used to purchase an ambulance. The payments are being made by the Grayson County EMS. At June 30, 2014, the principal outstanding was \$10,552. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	<u>\$ 10,552</u>	<u>\$ 103</u>
Totals	<u>\$ 10,552</u>	<u>\$ 103</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**H. Grader and Tandem Roller**

On October 14, 2010, Grayson County entered into an agreement with the Bank of Clarkson in the amount of \$106,500 at 4.15% interest for a period of five years. The funds were used to purchase a grader and a tandem roller. At June 30, 2014, the principal outstanding was \$30,543. Future principal and interest requirement are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 22,812	\$ 840
2016	<u>7,731</u>	<u>68</u>
Totals	<u>\$ 30,543</u>	<u>\$ 908</u>

**I. Lease Revenue Bonds, Series 2007 - Judicial Center**

On September 11, 2007, the Judicial Center Public Properties Corporation issued \$12,115,000 in Lease Revenue Bonds, Series 2007, with a variable interest rate for the purpose of constructing a new Judicial Center.

The Grayson County Public Properties Corporation, Administrative Office of the Courts (AOC), and the county entered into a lease agreement for the purpose of obtaining office rental space for AOC at the Judicial Center.

Grayson County and the Public Properties Corporation acted as agents for the AOC in order to plan, design, and construct the Judicial Center. They are now acting as agents for the AOC in managing and maintaining the Judicial Center. The Public Properties Corporation and the county expect annual rentals for the Judicial Center to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the lease, the AOC has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the lease. The lease agreement is renewable each year. The county and the Public Properties Corporation are in reliance upon the use allowance payment in order to meet the debt service requirements for the bonds.

The use allowance payment commenced with the occupancy of the Judicial Center by the AOC. The AOC, with the execution of the lease, has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until September 2024, but the lease does not obligate the AOC to do so. These bonds are scheduled to mature in September 2024; interest payments are due every six months starting September 2007, and principal payments are due annually beginning September 2007. At June 30, 2014, the principal outstanding was \$9,495,000. Future bond principal and interest requirements are:



**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**I. Lease Revenue Bonds, Series 2007 – Judicial Center (Continued)**

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 505,000	\$ 417,213
2016	525,000	395,325
2017	550,000	372,481
2018	570,000	348,325
2019	595,000	322,841
2020-2024	3,405,000	1,179,578
2025-2028	<u>3,345,000</u>	<u>318,316</u>
Totals	<u>\$ 9,495,000</u>	<u>\$ 3,354,079</u>

**J. Patcher**

On June 28, 2013, Grayson County entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$69,200 at 2.69% interest for a period of 10 years. The funds were used to finance the purchase of a patcher for the Road Department. At June 30, 2014, the principal outstanding was \$62,857. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 6,920	\$ 2,112
2016	6,920	1,872
2017	6,920	1,622
2018	6,920	1,378
2019	6,920	1,133
2020-2024	<u>28,257</u>	<u>2,088</u>
Totals	<u>\$ 62,857</u>	<u>\$ 10,205</u>

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**K. Changes In Long-term Debt**

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 6,660,000	\$	\$ 445,000	\$ 6,215,000	\$ 460,000
Revenue Bonds	9,980,000		485,000	9,495,000	505,000
Financing Obligations	658,127		142,461	515,666	105,992
Total Long-term Debt	<u>\$ 17,298,127</u>	<u>\$ 0</u>	<u>\$ 1,072,461</u>	<u>\$ 16,225,666</u>	<u>\$ 1,070,992</u>

**Note 6. Employee Retirement System**

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$1,665,646, FY 2013 was \$1,628,253, and FY 2014 was \$1,589,722.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 6. Employee Retirement System (Continued)**

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

In April 2003, the Grayson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**GRAYSON COUNTY**  
**NOTES TO FINANCIAL STATEMENT**  
**June 30, 2014**  
**(Continued)**

**Note 8. Insurance**

For the fiscal year ended June 30, 2014, Grayson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Detention Center Accounting System**

Beginning in fiscal year ending June 30, 2003, the County Jailer assumed responsibility for paying and accounting for Jail Fund disbursements. The County Treasurer still receives deposits and records Jail Fund receipts in the receipts ledger and receives and reconciles monthly bank statement to receipts. The County Jailer receives invoices from vendors, gathers payroll information, presents claims to Fiscal Court for approval, prepares Jail Fund checks, maintains the Jail Fund appropriations ledger and warrant distribution register, and reconciles monthly bank statements. Jail Fund checks are co-signed by the County Jailer in addition to the County Judge/Executive and County Treasurer. The Department for Local Government assisted in the design and approved this accounting system for the Grayson County Detention Center.

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**



**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**

**For The Year Ended June 30, 2014**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 1,455,417	\$ 1,508,864	\$ 1,485,764	\$ (23,100)
In Lieu Tax Payments	25,100	25,100	51,165	26,065
Excess Fees	130,010	214,238	244,238	30,000
Licenses and Permits	18,340	18,340	17,999	(341)
Intergovernmental	492,401	507,133	432,577	(74,556)
Charges for Services	975	975	288	(687)
Miscellaneous	85,229	117,305	98,999	(18,306)
Interest	800	800	527	(273)
Total Receipts	<u>2,208,272</u>	<u>2,392,755</u>	<u>2,331,557</u>	<u>(61,198)</u>
<b>DISBURSEMENTS</b>				
General Government	1,074,700	1,197,638	1,123,930	73,708
Protection to Persons and Property	83,640	83,883	54,529	29,354
General Health and Sanitation	115,923	115,923	115,798	125
Recreation and Culture	69,000	69,000	40,441	28,559
Debt Service	55,000	55,900	40,802	15,098
Administration	1,097,114	1,157,516	1,116,978	40,538
Total Disbursements	<u>2,495,377</u>	<u>2,679,860</u>	<u>2,492,478</u>	<u>187,382</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(287,105)</u>	<u>(287,105)</u>	<u>(160,921)</u>	<u>126,184</u>
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	97,105	97,105	397,105	300,000
Transfers To Other Funds	(60,000)	(60,000)	(260,000)	(200,000)
Total Other Adjustments to Cash (Uses)	<u>37,105</u>	<u>37,105</u>	<u>137,105</u>	<u>100,000</u>
Net Change in Fund Balance	(250,000)	(250,000)	(23,816)	226,184
Fund Balance Beginning	<u>250,000</u>	<u>250,000</u>	<u>82,888</u>	<u>(167,112)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,072</u>	<u>\$ 59,072</u>

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information - Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>ROAD FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Taxes	\$ 600,000	\$ 600,000	\$ 803,890	\$ 203,890
Intergovernmental	2,279,384	2,331,230	2,305,614	(25,616)
Miscellaneous	13,000	13,000	7,659	(5,341)
Interest	1,300	1,300	2,281	981
Total Receipts	2,893,684	2,945,530	3,119,444	173,914
<b>DISBURSEMENTS</b>				
General Government	20,000	22,500	22,173	327
Protection to Persons and Property		12,500	12,500	
Roads	2,404,445	3,007,418	2,670,315	337,103
Debt Service	38,000	62,500	57,956	4,544
Administration	634,134	437,213	409,178	28,035
Total Disbursements	3,096,579	3,542,131	3,172,122	370,009
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(202,895)	(596,601)	(52,678)	543,923
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds			200,000	200,000
Transfers To Other Funds	(97,105)	(97,105)	(297,105)	(200,000)
Total Other Adjustments to Cash (Uses)	(97,105)	(97,105)	(97,105)	
Net Change in Fund Balance	(300,000)	(693,706)	(149,783)	543,923
Fund Balance Beginning	300,000	693,706	693,706	
Fund Balance - Ending	\$ 0	\$ 0	\$ 543,923	\$ 543,923



**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 8,758,528	\$ 8,758,528	\$ 9,437,039	\$ 678,511
Charges for Services	74,600	74,600	72,459	(2,141)
Miscellaneous	228,844	228,844	549,239	320,395
Interest Earned	11,000	11,000	10,539	(461)
Total Receipts	9,072,972	9,072,972	10,069,276	996,304
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	6,262,048	6,719,322	6,695,502	23,820
Debt Service	742,844	742,669	742,443	226
Administration	2,848,751	2,391,652	2,378,311	13,341
Total Disbursements	9,853,643	9,853,643	9,816,256	37,387
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(780,671)	(780,671)	253,020	1,033,691
<b>Other Adjustments to Cash (Uses)</b>				
Transfers To Other Funds	(60,000)	(60,000)	(160,000)	(100,000)
Total Other Adjustments to Cash (Uses)	(60,000)	(60,000)	(160,000)	(100,000)
Net Change in Fund Balance	(840,671)	(840,671)	93,020	933,691
Fund Balance Beginning	840,671	840,671	1,330,672	490,001
Fund Balance - Ending	\$ 0	\$ 0	\$ 1,423,692	\$ 1,423,692

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	\$ 65,103	\$ 65,103	\$ 70,418	\$ 5,315
Miscellaneous	1,000	1,000	595	(405)
Interest	87	87	64	(23)
Total Receipts	66,190	66,190	71,077	4,887
<b>DISBURSEMENTS</b>				
General Government	6,150	6,183	3,963	2,220
Protection to Persons and Property	43,716	37,216	31,121	6,095
General Health and Sanitation	8,600	16,200	12,829	3,371
Social Services	500	500	300	200
Recreation and Culture	8,000	8,000	5,152	2,848
Bus Services	12,103	12,103	12,103	
Debt Service	6,000	5,600	4,653	947
Administration	1,121	388	300	88
Total Disbursements	86,190	86,190	70,421	15,769
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(20,000)	(20,000)	656	20,656
Net Change in Fund Balance	(20,000)	(20,000)	656	20,656
Fund Balance Beginning	20,000	20,000	11,407	(8,593)
Fund Balance - Ending	\$ 0	\$ 0	\$ 12,063	\$ 12,063

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>FEDERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Intergovernmental	94,000	94,000		(94,000)
Total Receipts	94,000	94,000		(94,000)
<b>DISBURSEMENTS</b>				
Capital Projects	94,000	94,000		94,000
Total Disbursements	94,000	94,000		94,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)				
Net Change in Fund Balance				
Fund Balance Beginning				
Fund Balance - Ending	\$ 0	\$ 0	\$ 0	\$ 0

**GRAYSON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>E-911 FUND</b>				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Taxes	\$ 380,000	\$ 380,000	\$ 404,051	\$ 24,051
Charges for Services	60,000	60,000	60,000	
Miscellaneous	2,000	2,000	294	(1,706)
Interest	100	100	111	11
Total Receipts	442,100	442,100	464,456	22,356
<b>DISBURSEMENTS</b>				
Protection to Persons and Property	400,600	435,365	414,042	21,323
Administration	231,500	196,735	156,058	40,677
Total Disbursements	632,100	632,100	570,100	62,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(190,000)	(190,000)	(105,644)	84,356
<b>Other Adjustments to Cash (Uses)</b>				
Transfers From Other Funds	120,000	120,000	120,000	
Total Other Adjustments to Cash (Uses)	120,000	120,000	120,000	
Net Change in Fund Balance	(70,000)	(70,000)	14,356	84,356
Fund Balance Beginning	70,000	70,000	57,807	(12,193)
Fund Balance - Ending	\$ 0	\$ 0	\$ 72,163	\$ 72,163

**GRAYSON COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - BUDGETARY COMPARISON SCHEDULES**

**June 30, 2014**

**Note 1. Budgetary Information**

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the Jail Fund**

The *Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis* differs from the *Budgetary Comparison Schedule* for the Jail Fund in disbursements and total other adjustments to cash (uses) due to the payments made to the Detention Center Public Properties in the amount of \$702,059 for debt service payments.

**Reconciliation of the Jail Fund**

Intergovernmental Disbursements - Budgetary Basis	\$ 9,816,256
To adjust for debt transfer to Public Properties Corporation Fund	<u>(702,059)</u>
Total Intergovernmental Disbursements - Regulatory Basis	<u><u>9,114,197</u></u>
Other Adjustments to Cash(Uses)	(160,000)
To adjust for debt transfer to Public Properties Corporation Fund	<u>(702,059)</u>
Total Other Adjustments to Cash(Uses) - Regulatory Basis	<u><u>\$ (862,059)</u></u>

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**GRAYSON COUNTY**  
**SUPPLEMENTARY SCHEDULE**  
**Supplementary Information – Regulatory Basis**  
**For The Year Ended June 30, 2014**





**GRAYSON COUNTY**  
**SCHEDULE OF CAPITAL ASSETS**  
**Supplementary Information – Regulatory Basis**

**For The Year Ended June 30, 2014**

The Fiscal Court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 1,012,759	\$	\$	\$ 1,012,759
Buildings and Building Improvements	23,549,117	114,389		23,663,506
Vehicles and Equipment	3,730,967	77,189	19,800	3,788,356
Infrastructure	7,156,602	1,211,037		8,367,639
	<u>35,449,445</u>	<u>1,402,615</u>	<u>19,800</u>	<u>36,832,260</u>
Total Capital Assets	<u>\$ 35,449,445</u>	<u>\$ 1,402,615</u>	<u>\$ 19,800</u>	<u>\$36,832,260</u>

**GRAYSON COUNTY**  
**NOTES TO REGULATORY SUPPLEMENTARY**  
**INFORMATION - SCHEDULE OF CAPITAL ASSETS**

**June 30, 2014**

**Note 1. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land and Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Equipment	\$ 15,000	3-25
Vehicles	\$ 12,500	3-25
Infrastructure	\$ 20,000	10-50

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Gary Logsdon, Grayson County Judge/Executive  
Members of the Grayson County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Grayson County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated August 14, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Grayson County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Grayson County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Grayson County Fiscal Court's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, 2014-003, and 2014-004 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Grayson County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-005 and 2014-006.

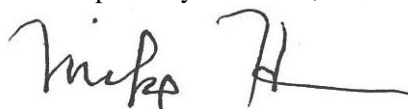
**County Judge/Executive and County Jailer's Responses to Findings**

The Grayson County Judge/Executive and County Jailer's responses to the findings identified in our audit are included in the accompanying comments and recommendations. The County Judge/Executive and County Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a stylized flourish at the end.

Mike Harmon  
Auditor of Public Accounts

August 14, 2015

**GRAYSON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2014**





**GRAYSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2014**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:**

**2014-001    The County Should Improve Procedures With Regard To Disbursements**

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The county has several internal control deficiencies with regards to disbursements. Finance charges were paid, bills were paid in excess of 30 days, purchase orders were not dated or were dated after the purchase invoice date, and payments were made from duplicated or faxed invoices.

KRS 65.140 requires a county government that receives goods or services to pay for those goods and services within thirty (30) working days or receipt of a vendor's invoice. Good internal controls dictate that adequate documentation be maintained to support all disbursements, such as all original vendor invoices. Purchase orders are meant to be used to ensure that funds are available for both purposes of the budget and also cash balance, and therefore should be negotiated prior to making purchases or ordering services. KRS 68.275 requires Fiscal Court approval before making purchases.

Lack of proper accounting practices and internal control increases the risk that misstatements of financial activity and/or errors will occur and go undetected by the Fiscal Court. Without proper procedures in place to mitigate this risk, the Fiscal Court is exposing public resources to potential misstatements and/or errors. We recommend the county maintain all original vendor invoices including any supporting documentation, have the Fiscal Court approve all disbursements, make payment on all invoices within 30 days, properly use purchase orders, and take further steps as needed to improve the expenditure process.

*County Judge/Executive's Response: Will see that that is done correctly.*

**2014-002    The County Lacks Adequate Segregation Of Duties Over Cash Transfers, Reports, And Bank Reconciliations**

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The County Treasurer posts transactions into the accounting system, prepares reports for submission to the Department for Local Government, makes cash transfers between funds, and performs bank reconciliations for all bank accounts, with the exception of the Jail Fund. There were no documented compensating controls to offset the lack of segregation of duties.

Segregation of duties over cash procedures, deposit preparation, report preparation, and bank reconciliations is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

Lack of adequate segregation of duties could result in the undetected misappropriation of assets and/or inaccurate financial reporting to external agencies such as the Department for Local Government. In addition, too much control by one individual in any one area without oversight can lead to irregularities that go undetected.

We recommend the County divide the responsibilities for receipts, cash transfers, and bank reconciliations among the Treasurer, the Finance Officer, and other employees as needed to achieve an appropriate level of segregation of duties or implement compensating controls over these areas.

**GRAYSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2014-002    The County Lacks Adequate Segregation Of Duties Over Cash Transfers, Reports, And Bank Reconciliations (Continued)

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We noted that beginning in January 2014, the County Judge/Executive had initialed the bank reconciliations performed by the Treasurer indicating his review of the reconciliations. We commend the County for this improvement and encourage the County to continue.

*County Judge/Executive's Response: Do what-ever it take's to correct.*

2014-003    The Jailer Should Improve Controls Over Purchases In The Jail Commissary

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The Jail Commissary lacks sufficient internal controls. Of the 25 items tested, only four contained any visible documentation of approval for payment, one invoice included sales tax, only three invoices had the payment amount documented, and one item did not have original documentation.

The Jail Commissary should be exempt from paying sales tax because the Jail Commissary is a governmental entity which is exempt from sales taxes.

Lack of internal controls over purchases in the Jail Commissary can result in improper purchases being made using Jail Commissary funds. KRS 441.135(3) states that "Allowable expenditures from a canteen account shall include but not be limited to recreational, vocational, and medical purposes."

We recommend that the Jailer implement procedures by which approval for payment of invoices is evident. These should include a review of invoices to determine that all charges included are appropriate and correct, documentation of the proper payment amount, and retention of original documentation of purchases.

*County Judge/Executive's Response: Talk with Fiscal Court and correct problem.*

*County Jailer's Response: Changes above will correct this.*

2014-004    The Grayson County Detention Center Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary

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The Jail lacks an adequate segregation of duties over Jail Commissary accounting functions without sufficient, documented, compensating controls to mitigate the risk. Proper segregation of duties over accounting functions is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. One employee prepares commissary deposits, makes deposits, prepares monthly reports, remits monthly reports along with inmate fees to the County Treasurer, reconciles the bank account, and makes payments from the bank account. There is no evidence of a second employee or the Jailer's review on the documentation. The lack of segregation of duties increases the risk of asset misappropriation and/or inaccurate financial reporting.

**GRAYSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES: (Continued)

2014-004 The Grayson County Detention Center Lacks Adequate Segregation Of Duties Over The Accounting Functions Of The Jail Commissary (Continued)

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We recommend the implementation of the following procedures that could strengthen controls at the jail. When faced with a limited number of staff, strong compensating controls should be in place to offset the lack of segregation of duties. If the Jailer implements compensating controls he, or a designated person, should initial the supporting documentation reviewed.

- An independent person should agree daily deposits to the daily checkout sheet and the receipts ledger.
- An independent person should review monthly bank reconciliations.
- An independent person should review bank statements for unusual transactions.
- An independent person should compare invoices to payments.
- An independent person should review inventory records.

*County Judge/Executive's Response: Talk with Fiscal Court and correct problem.*

*County Jailer's Response: Deposits are matched to inmate software accounting system cash drawer activity report. Bank statements are being review now. Purchases are made by Commissary staff; reconciliation and payments made by Jail staff.*

STATE LAWS AND REGULATIONS:

2014-005 The Fiscal Court Should Annually Set And Approve Salaries For All County Employees

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The Fiscal Court did not set and approve annually the salaries of all county employees in accordance with KRS 64.530(1) which states, "[T]he fiscal court of each county shall fix the reasonable compensation of every county officer and employee except the officers named in KRS 64.535 and the county attorney and jailer."

The Fiscal Court's failure to update and annually set county employee salaries denies the magistrates and the public the opportunity to review all relevant financial information necessary for budgetary purposes.

We recommend that the County Judge/Executive's office annually prepare a list of each employee of the county and include the appropriate hourly rate for hourly employees and monthly or yearly amounts for all salaried employees and present this list to the Fiscal Court for approval.

*County Judge/Executive's Response: Thought we did that it will be done from now on.*

**GRAYSON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**For The Year Ended June 30, 2014**  
**(Continued)**

STATE LAWS AND REGULATIONS: (Continued)

2014-006    The County Should Annually Review The Administrative Code And Make Any Changes Or  
Revisions Deemed Necessary

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The Fiscal Court did not perform an annual review of the county's administrative code. KRS 68.005 states that the Fiscal Court should review the Administrative Code annually during the month of June. However, we could not find evidence that the Fiscal Court performed this review. Failure to review the administrative code annually increases the likelihood the County could implement a change to an outdated policy without updating the policy in the official code. This would put the County out of compliance with their own administrative code. We recommend the Fiscal Court review the Administrative Code and Ethics Code and make any changes or modifications necessary. This review and the approval of the changes by Fiscal Court should be reflected in the minutes of the Fiscal Court.

*County Judge/Executive's Response: We will review.*

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**GRAYSON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2014**

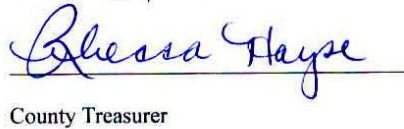


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
GRAYSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Grayson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
County Judge/Executive

  
County Treasurer

